

**Mr Christopher Hatton of Aylesbury, United Kingdom
CIMA Disciplinary Committee held on 14 August 2018**

The Charge:

1. *Mr Hatton was a registered member with the Chartered Institute of Management Accountants ('CIMA').*
2. *From 1 March 2010 he had been a director of Danton Partners Ltd ('Danton') a company which provides accountancy services.*
3. *On 16 August 2017 he accepted a consent order issued by CIMA's Investigation Committee for failing to register as a Member in Practice between 9 June 2015 and 1 March 2017.*
4. *Between October 2017 and February 2018 he was requested to register with CIMA as a Member in Practice.*
5. *As of 13 March 2018 he continued to offer accountancy services to the public through Danton Partners Ltd whilst not registered as a Member in Practice and therefore not holding a valid practicing certificate with CIMA.*
6. *From 9 June 2015 he had not been supervised by CIMA for Anti Money Laundering ('AML') purposes.*
7. *He had not personally ever been registered directly with HMRC for AML supervision.*
8. *Danton Partners Ltd had never been registered directly with HMRC for AML supervision.*
9. *Mr Hatton had failed (therefore) to comply with the Money Laundering Regulations 2007 and 2017.*

By reason of the facts alleged above, it was alleged that he was guilty of misconduct as defined by Byelaw 1 of the Institute's Royal Charter Byelaws and Regulations (October 2012 and July 2015 versions). In particular, he had failed to comply with the Laws of the Institute by breaching:

- a. *Member in Practice Rules September 2012, June 2016 and June 2017, Rules 4, 6(v) and 12;*
- b. *The fundamental principles of the Code of Ethics (October 2010 and January 2015 versions):*

(i) *Integrity – (Sections 100.5 (a)110.1 and 110.2)*

(ii) *Professional Behaviour – (Sections 100.5 (e) and 150.1)*

Stage 1 – Decision on Facts

2. The Committee, having reviewed the documentary and oral evidence, was satisfied that the relevant background circumstances were as follows:

3. Mr Hatton had been a Director of Danton Partners Ltd since March 2010. The website for Danton Partners Ltd listed Mr Hatton as Managing Director. The website also stated on its home page:-

'Accountants in Aylesbury -

Danton Partners

Welcome to Danton Partners, accountants in Aylesbury, providing a personalised service to local business owners and individuals. For help with any of your accountancy and tax needs, please give us a call. All initial consultations are free of charge.

From preparing your tax returns and advising on VAT to setting you up with cash flow, bookkeeping and payroll systems, Danton Partners is the one-stop-shop that will keep your finances running smoothly, leaving you to focus on running your business.'

4. The CIMA logo was also prominent on the website.

5. Hatton had been registered as a Member in Practice (MIP) between 13 February 2010 and 4 November 2011 and 2 July 2013 and 9 June 2015. In the lead up to the Member's MIP status ending he was sent reminders on 11 November 2014 and 8 January 2015 informing him that he needed to renew his membership. On 9 June 2015 the Member was sent an email confirming that due to non-renewal he was no longer registered as a MIP. On 9 June 2015 the Member contacted CIMA's contact centre and was informed that as his membership had ended he needed to re-apply. Since 9 June 2015 the Member had not been registered with CIMA as a MIP. MIPs registered with CIMA are supervised by CIMA for Anti-Money Laundering purposes.

6. He had never personally been registered with Her Majesty's Revenue and Customs (HMRC)

nor had Danton Partners Ltd ever been registered with HMRC for Anti-Money Laundering supervision.

7. On 14 March 2018 CIMA wrote to Hatton informing him that a complaint of misconduct had been raised against him and setting out a Summary of Complaint with supporting documents. He was given 28 days to respond to the Summary of Complaint before the matter was to be considered by CIMA's Investigation Committee (IC). He did not respond to the letter of 14 March 2018. The IC met on 15 May 2018. The IC found a prima facie case of misconduct against the Member and referred the matter to the Disciplinary Committee. On 16 May 2018 CIMA informed the Member of the decision of the IC.
8. The Committee was satisfied based on the documentary evidence and the written and oral evidence of the senior manager within the Professional Standards Department of CIMA, that Hatton continued to offer accountancy services to the public through Danton Partners Ltd whilst not registered as a MIP and therefore not holding a valid practising certificate with CIMA. In reaching this conclusion the Committee noted that he stated in his email, dated 1 August 2018, that he was '*...still unfortunately working too long hours...*'
9. The Committee accepted the evidence of the senior manager, professional standards, that from 9 June 2015 Hatton had not been supervised by CIMA for Anti Money Laundering ('AML') purposes, and had never been registered directly with HMRC for AML supervision. She also informed the Committee during her oral evidence that his authorisation through another company would not absolve him from the responsibility of ensuring that he was supervised in his personal capacity.
10. The Committee was satisfied that Hatton had a duty to comply with the Money Laundering Regulations 2007 and 2017. He did not do so and the Committee was unable to identify any reason for this failure.
11. Accordingly, the relevant facts were found proved in their entirety.

Stage 2 – Decision on Misconduct

12. The Committee, having found the facts proved, went on to consider the issue of misconduct. CIMA's Byelaws and Regulations define "misconduct" as "failure to comply with the Laws of the Institute;..."
13. Mr Hatton's status as a member of CIMA carried a legitimate expectation and an obligation to comply with the Rules. All members agree to adhere to the CIMA Rules, Regulations and Bye-Laws and accept that they may be subject to disciplinary action if they fail to do so.
14. The Committee took the view that Hatton's failure to uphold the high standards expected of CIMA members amounted to a serious falling short of his professional duties and obligations. The Committee's factual finding that he continued to offer accountancy services to the public whilst not registered as a MIP and therefore not holding a valid practising certificate with CIMA was particularly serious and noted that the breach of the Rules was persistent and appears to be ongoing. The Committee was satisfied that his acts and omissions had the potential to seriously undermine public trust and confidence in the profession and therefore bring the profession into disrepute.
15. In these circumstances, the Committee concluded that Hatton's acts and omissions were sufficiently serious to amount to misconduct.

Stage 3 - Mitigation and Sanction

16. The Committee bore in mind that the purpose of sanctions is not to be punitive, although they may have that effect. The purpose of sanctions is to protect the public, declare and uphold the standards of the profession and safeguard the reputation of the profession and CIMA as its regulator. Sanctions must be proportionate and considered in order of severity starting with the least restrictive until a sanction which meets the public interest has been reached.
17. The Committee noted that on 19 July 2017 CIMA wrote to Mr Hatton informing him that the IC had found a prima facie case of misconduct in relation to failure to register as a MIP and

setting out the terms of the consent order being offered, which were a severe reprimand, a fine of £2000 and £365 costs. On 16 August 2017 the Member accepted the consent order.

18. The Legal Assessor informed the Committee that in addition to the consent order in 2017 Hatton had accepted a consent order in 2016. She provided the Committee with additional documentation which confirmed that he had consented to a reprimand and a £250 fine for failure to file a partnership tax return on behalf of a client and for not taking responsibility for this failure.

19. The Committee had regard to CIMA's Indicative Sanctions Guidance and considered the aggravating factors and the mitigating factors.

Sanction Decision

20. The Committee identified the following aggravating factors:

- Hatton had a disciplinary history involving two consent orders resulting in a reprimand and a severe reprimand for breaches of the fundamental principles of integrity, professional behaviour and competence;
- The registration failures and the failure to comply with the Money Laundering Regulations persisted for a significant period of time and appeared to be ongoing.
- Hatton had not engaged with the regulatory process and had therefore not demonstrated insight, remorse or remediation.
- Clients were exposed to an unwarranted risk of financial loss.

21. The Committee was informed that Hatton had attempted to access the online registration documents on 30 July 2018 and some documents were submitted on 13 August 2018. The legal assessor was unable to confirm whether he had successfully managed to renew his registration. The Committee took the view that his belated actions did not amount to a mitigating factor and due to his non-engagement the Committee was unable to identify any other factors that mitigated the serious nature of his misconduct.

22. The Committee first considered taking no action. It concluded that, in view of the nature and seriousness of the breaches of the Rules, to take no action regarding the Member's membership of CIMA would be wholly inappropriate. The Committee concluded that taking no action would be insufficient to protect the public and would not maintain public confidence or uphold the reputation of the profession.
23. The Committee then considered an Admonishment. The Panel noted that the ISG states:
'An admonishment may be appropriate where the conduct is at the lower end of the spectrum...'
24. The Committee concluded that Hatton's conduct and behaviour, was not isolated or limited and could not be described as minor in nature. As a consequence, the Committee concluded that an admonishment would be wholly inappropriate and insufficient to meet the wider public interest concerns raised by Hatton's disregard for the rules relating to supervision and the purpose of regulation. Furthermore, the Committee concluded that it would be insufficient to maintain public confidence in the regulatory process and uphold the reputation of the profession.
25. The Committee went on to consider a reprimand or a severe reprimand. The Committee noted that the ISG states that a reprimand:
'...is appropriate where the conduct is of a minor nature and there is no continuing risk to the public.'
26. A severe reprimand is considered 'to be more severe than a reprimand.'
27. The Committee concluded that Hatton's acts and omissions were serious and in these circumstances a reprimand, or even a severe reprimand, would fall well short of meeting the wider public interest in terms of declaring and upholding proper standards or maintain public confidence in the profession. In reaching this conclusion the Committee noted that Hatton had previously been made subject to a reprimand in 2016 and a severe reprimand in 2017 under the terms of two consent orders.

28. The Committee, having concluded that a financial penalty would serve no useful purpose, went on to consider conditional membership. The Committee took the view that the Respondent's misconduct is not amenable to conditions as the basis for the underlying conduct and behaviour is an attitudinal failing. The Committee was unable to formulate conditions which would be workable, measurable or proportionate, particularly as Hatton had failed to comply with the attempts by CIMA to ensure compliance with the registration and supervision requirements. In these circumstances, even if conditions could be formulated the Committee could have no confidence that he would comply. Furthermore, conditions would not adequately address the serious nature of the Respondent's actions and would seriously undermine public confidence in the profession, CIMA as a regulator and the need to uphold high standards of conduct and behaviour.
29. The Panel next considered a suspension order. A suspension order would send a signal to Hatton, the profession and the public re-affirming the standards expected of a member of CIMA. However, the Committee concluded that a suspension order would not be sufficient to maintain public trust in the profession and the regulatory process.
30. Having determined that a suspension order did not meet the wider public interest the Committee determined that Mr Christopher Hatton should be expelled from membership of CIMA. An expulsion order is a sanction of last resort and should be reserved for those categories of cases where there is no other means of protecting the public or the wider public interest. The Committee decided that Hatton's case falls into this category as he had demonstrated a willful disregard for the Rules of CIMA and the protection of the public. The Committee acknowledged that no evidence that actual harm had been caused but took the view such conduct and behaviour is fundamentally incompatible with continued membership and took the view that allowing Hatton to continue offering accountancy services to the public using his status as a chartered management accountant presented a potential and ongoing danger to the public. The Committee was also satisfied that any lesser sanction would undermine public confidence. The public and the profession are entitled to expect a member of the profession to uphold the highest standards of trust, confidence and behaviour. In reaching this conclusion the Committee balanced the wider public interest against the

Member's interests. The Committee had regard to the impact an expulsion order would have on Hatton, but concluded that his professional, personal and financial interests were significantly outweighed by the Committee's duty to give priority to the significant public interest concerns raised by this case.

31. The Committee decided that the appropriate and proportionate order is an expulsion order.

Costs

32. The Committee considered CIMA's application for costs as set out in the schedule of estimated costs. The Member had not submitted any evidence with regard to his means. However, he appeared to be actively engaged in practice.

33. The Committee concluded that it was appropriate to make an award for costs and determined that Mr Hatton should be required to make a contribution of £3,030 towards CIMA's costs, as requested.